

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Record Request Response

Record Request No.: DTE-RR-60 (Electric)

- A. Please identify what the changes in the FICA and Medicare liabilities would be on payroll due to the changes in the non-union wage.
- B. Additionally, please provide the respective FICA and Medicare rates as well as the base to which those rates are applied, since FICA tax cuts off at a certain salary level.

Response:

- A. The percentage increase in the 2002 payroll amount was reduced from 5% to 4.9%. This reduction from the original estimate was not reflected on MHC-7-15 (Electric) in the update to DTE-RR-06 (Electric) dated September 4, 2002. Utilizing the 4.9% to calculate the payroll increase, the increase in FICA and Medicare tax on line 26 was decreased by \$42 from the original filed amount of \$7,668.
- B. The base Medicare wages for non-union electric of \$936,995 was applied to the Medicare rate of 1.45% for a tax amount of \$13,586. To arrive at the base FICA wages of \$921,517, the base Medicare wages had to be reduced by \$15,478 for wages in excess of the \$84,900 FICA limit. The base FICA wages for non-union electric of \$921,517 was applied to the FICA rate of 6.2% for a tax amount of \$57,134.

See Attachment DTE-RR-60 (Electric) for a detailed calculation of these two taxes. This attachment is also MHC-7-15 (Electric) and DTE-RR-06 (Electric) will be updated for the above changes.

Person Responsible: Mark H. Collin

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY
PAYROLL TAX ADJUSTMENT
FOR THE 12 MONTHS ENDED DECEMBER 31, 2001

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>HOURLY</u>	<u>NON-UNION SALARIED</u>	<u>COMBINED</u>	<u>UNION</u>	<u>TOTAL</u>
1	TEST YEAR ELECTRIC PAYROLL: CAPITALIZED	\$37,964	\$369,383	\$407,347	\$875,232	\$1,282,579
2	DISTRIBUTION & MAINTENANCE	36,462	354,761	391,223	840,587	1,231,810
3	OTHER DISTRIBUTION	5,009	48,737	53,746	115,480	169,226
4	NON-UTILITY	496		496		496
5	TOTAL ELECTRIC PAYROLL	<u>\$79,931</u>	<u>\$772,881</u>	<u>852,872</u>	<u>1,831,299</u>	<u>2,664,111</u>
6	LESS NON-UTILITY PORTION			496		496
7	TOTAL ELECTRIC UTILITY PAYROLL		852,316		1,831,299	2,663,615
8	PAYROLL RATE INCREASES-2002			4.90%	3.10%	
9	TEST YEAR TOTAL ELECTRIC PAYROLL ADJUSTED FOR 2002 RATE INCREASES		894,080		1,888,069	2,782,149
10	PAYROLL RATE INCREASES-2003			4.80%	3.00%	
11	TEST YEAR TOTAL ELECTRIC PAYROLL ADJUSTED FOR 2002 AND 2003 RATE INCREASES - PAYROLL MEDICARE BASE		936,995		1,944,711	2,881,707
	<u>FICA TAX CALCULATION</u>					
12	LESS ELECTRIC PORTION OF EXCESS FICA OF THAT EMPLOYEE WHO EXCEEDS THE FICA MAXIMUM		15,478		13,016	
13	SUB TOTAL - PAYROLL FICA BASE		921,517		1,931,695	2,853,212
14	TOTAL ELECTRIC FICA AT 6.2% (LINE13 x 6.2%)		57,134		119,765	176,899
	<u>MEDICARE TAX CALCULATION</u>					
15	TEST YEAR TOTAL ELECTRIC PAYROLL ADJUSTED FOR 2002 AND 2003 RATE INCREASES (LINE 11)		936,995		1,944,711	2,881,707
16	TOTAL MEDICARE AT 1.45% (LINE 15 X 1.45%)		13,586		28,198	41,785
17	TOTAL GAS FICA AND MEDICARE		70,721		147,963	218,684
18	LESS AMOUNT TO CAPITAL		27,227		56,966	84,193
19	ELECTRIC FICA AND MEDICARE EXPENSE		<u>\$43,493</u>		<u>\$90,997</u>	<u>134,491</u>
20	LESS TEST YEAR EXPENSE					126,865
21	INCREASE IN EXPENSE					7,626
22	ORIGINAL INCREASE IN PAYROLL TAX EXPENSE AS FILED USING A 5% PAYROLL INCREASE					7,668
23	REDUCTION IN FICA TAX DUE TO PAYROLL DECREASE FROM 5% TO 4.9%					(542)